

The Axis Replacement Program: Economic Warfare and the Chemical Industry in Latin America, 1942-44*

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The Second World War produced an unprecedented expansion of government intervention in the affairs of international business. In earlier conflicts, particularly during the First World War, such instruments of economic warfare as blockades, blacklists of enemy shipping, and the confiscation of enemy property had been effectively employed. From 1939 to 1945, economic controls over international commerce were extended by both Axis and Allied governments, including restrictions on international communications, the flow of technical information, and private access to strategic raw materials. The movements of bank deposits, loans, and security investments across borders were subjected to intense scrutiny and tight restrictions by the warring nations. Patterns of international trade and investment were altered significantly by these wide-ranging measures.¹

The expansion of economic warfare techniques produced closer links between governments and corporate enterprises, not only for domestic economic mobilization but also for planning and executing strategies of international economic intervention. These developments were particularly striking in the United States where the emergence of a cooperative relationship between government and big business followed a decade of mutual suspicion and antagonism. American businessmen with industrial properties in occupied

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¹On economic warfare measures in the Second World War, see William N. Medlicott, *The Economic Blockade* (London, 1959); David Gordon and Royden Dangerfield, *The Hidden Weapon* (New York, 1947); Martin Domke, *Trading With the Enemy in World War II* (New York, 1943; 2d ed., 1947); Alfred Eckes, *The United States and the Global Struggle for Minerals* (Austin, 1979); and William A. M. Burden, *The Struggle for the Airways in Latin America* (New York, 1943).

areas assisted intelligence agencies in evaluating Axis production capabilities and selecting bombing targets. Executives from such companies as Standard Oil (New Jersey) and International Telephone and Telegraph participated with government agencies such as the Board of War Communications and the United States Commercial Company in economic warfare operations.

Among the most ambitious of these cooperative undertakings during the war were those focused on Latin America. This region, traditionally regarded as essential to American strategic interests, had been the target of a concerted trade and investment offensive by German and Italian companies in the 1930s. American officials feared that these commercial influences could be exerted against U.S. enterprises in such key countries as Brazil, Argentina, and Mexico. Even where Axis-based businesses were less important, their commercial operations in Latin America provided opportunities for anti-American propaganda and espionage. Consequently, the United States launched a major effort to eliminate Axis business influences from these countries without unduly disrupting their economies.

To achieve these aims American policymakers encouraged private U.S. firms to take over markets occupied by Axis businesses, replacing the goods and services they formerly provided, and furnishing the technical and managerial aid to enable Latin American countries to develop their own industries. While these actions were designed to prevent a restoration of potentially hostile foreign commercial domination after the war, American diplomats also hoped that Latin American industrial development would increase U.S. export opportunities and promote better political relations between the United States and the countries of this region.

By far the most successful and best publicized of these programs was the effort to eliminate German and Italian airlines in South America in 1941–42. The success of this program stimulated similar operations in the radio and telephone communications field in the summer of 1942. Several months later the Office of the U.S. Alien Property Custodian (OAPC) unveiled an “Axis replacement program” intended to eliminate German chemical and pharmaceutical firms from Latin American markets and to encourage local manufacturing of those products.

This project was probably one of the least successful of the replacement efforts, rapidly breaking down amidst interdepartmental wrangling and rumors of pro-Axis sentiment in high places. But it provides an intriguing glimpse of the conflicts underlying these programs and the divergent needs and objectives of the groups involved—conflicts that were less apparent in the more successful ventures. The aim of expanding the U.S. economic presence in Latin America did not necessarily mesh with the notion of developing local industries. The commercial assumptions and objectives of private firms often raised problems for government officials who wanted to promote closer military and political cooperation among the nations of the Western Hemisphere.

Examination of the Axis replacement program in chemicals also reveals the complex and rancorous conditions in which *de facto* foreign economic policies were established in the war, raising questions about the extent to

which historians can coherently interpret these policies. The aims of U.S. economic warfare in Latin America were certainly not as altruistic as they were portrayed by government spokesmen. On the other hand, the Axis replacement program was something more than a facade behind which U.S. private commercial interests could displace their European rivals in exploiting the resources of the region. Throughout this affair, businessmen and government officials were entangled in a confusing web of mutual misunderstanding and ambiguous or conflicting objectives, aggravated by bureaucratic rivalries and personal antagonisms. An example neither of hemispheric solidarity nor of business imperialism, the Axis replacement program illustrates the inchoate nature of policymaking in the turbulent atmosphere of wartime Washington. Its failure, however, can be seen as a missed opportunity for the United States to contribute to the economic development of a region that remains essential to its political and economic security.

The German economic presence that so alarmed Washington in 1941–42 originated long before the First World War when Germany trailed only the United States and Britain as a major trading partner with South America. During the 1920s, German firms had rebounded from wartime losses in Latin American markets to achieve an import/export trade of more than \$400 million by 1929. A reputation for reliability and commercial aggressiveness, buttressed by large German communities in Brazil, Argentina, and Chile, augmented their success. The depression eroded Germany's trade position, but Latin American markets were a major target of commercial strategy under Nazi trade minister Hjalmar Schacht after 1934. By 1939 imports and exports were boosted to 88 percent of 1929 levels, largely at the expense of the British and Americans.²

After the outbreak of war in Europe, Americans grew concerned that the strong commercial presence of Axis-based firms in Latin America could be converted into a potentially dangerous economic weapon. U.S. economic interests converged with national security concerns to dictate the elimination of a strong rival in hemispheric markets.

German influence was especially pronounced in the chemical and pharmaceutical markets of Latin America. Companies such as Bayer and Schering had established footholds there before 1914, distributing products ranging from synthetic fertilizer to atabrine, a drug to combat malaria. In 1926, I. G. Farbenindustrie integrated Bayer into its giant German chemical combine. I. G. Farben's technically advanced position in a variety of fields helped the combine to continue to penetrate hemispheric markets while negotiating cartel agreements with foreign firms, establishing directly and indirectly controlled affiliates throughout Latin America and the United States. These aggressive and well-coordinated companies acquired an enviable reputation for quality

²William N. Simonson, "Nazi Infiltration of South America, 1933–45," (Ph.D. diss., Fletcher School of Law and Diplomacy, 1964), pp. 348–52; Dick Steward, *Trade and Hemisphere: The Good Neighbor Policy and Reciprocal Trade* (Columbia, MO, 1975), pp. 249–56; Frank D. McCann, *The Brazilian-American Alliance, 1937–45* (Princeton, 1973), pp. 106–17.

and service, inspiring consumer loyalty throughout the region. In Mexico, I. G. Farben subsidiaries held over 50 percent of the prewar chemical and pharmaceutical market. Through agreements with potential U.S. rivals such as Sterling Products, Inc., the German company maintained an even stronger position in other parts of Latin America, enabling it to continue to ship pharmaceuticals to South America even after the Allied blockade was established.³

By the time the United States entered the war, government officials and the American public had come to regard I. G. Farben and its subsidiaries as instruments of Axis economic aggression in the Western Hemisphere. Congressional hearings early in 1942 revealed a wide-ranging effort by the German chemical company in the years before the outbreak of war to suppress technical information deemed valuable for military preparedness. Despite the public furor, the Roosevelt administration exhibited greater concern over Axis control of airways and communications in Latin America. Proposals to eliminate I. G. Farben from the hemisphere emanated from the lower levels of the wartime bureaucracy.⁴

The Axis replacement program in chemicals and pharmaceuticals in Latin America derived from the peculiar position the U.S. government acquired over German chemical properties within its own boundaries. Early in 1942, invoking powers granted under the Trading with the Enemy Act of 1917, Roosevelt ordered the "vesting" or seizure of all property belonging to citizens of Axis countries, including the securities of companies operating in the United States. On 11 March 1942, the Office of the Alien Property Custodian was established to take over these assets. The OAPC assumed control of companies where German or Japanese citizens held a majority or 100 percent of outstanding shares. Since many of these companies were paper organizations or

³Heinrich Kronstein to Fowler Hamilton, Office of the Assistant Attorney General (Antitrust Division), 10 February 1942. *United States vs. Schering Corporation*, case records, file 60-21-58, Antitrust Division records, Department of Justice, Washington, DC; "German Cartel Activities in Latin America," 21 February 1944, Box 1098, RG 169, Foreign Economic Administration (FEA) Records, U.S. Federal Records Center, Suitland, Maryland. On I. G. Farben generally, see L. F. Haber, *The Chemical Industry, 1900-1930* (London, 1971), pp. 279-90; G. W. Stocking and M. H. Watkins, *Cartels in Action: Case Studies in International Business Diplomacy* (New York, 1946), pp. 466-76; and Joseph Borkin, *The Crime and Punishment of I. G. Farben* (New York, 1978), pp. 38-44.

⁴A replacement program in pharmaceuticals was initiated by the U.S. Justice Department in 1941, when it brought antitrust proceedings against the Schering Corporation of New Jersey to force that company, which was involved in the manufacturing and distribution of synthetic hormones, to break its ties with the German firm, Schering A.G. The American company, although technically a subsidiary of a Swiss bank since 1939, had been filling orders in Latin American markets for Schering A.G., even packaging the products with the German company's trademark. The consequent decree imposed by a federal court in Newark in December 1941 ordered Schering Corporation to cease this practice and sell its products directly to foreign customers. This measure was intended to "plug an important leak in the economic blockade of Germany," according to a Justice Department spokesman. *New York Times*, 18 December 1941, p. 29. See also Joseph Borkin and Charles Welsh, *Germany's Master Plan* (New York, 1943), pp. 138-48.

trading firms with few fixed assets, they were quickly liquidated. In certain situations where substantial technical and manufacturing capacity was involved, however, the custodian, Leo T. Crowley, decided to maintain the companies as operating units to contribute to war production under the supervision of managers that he appointed.⁵

The largest German-controlled firms in the United States were in the chemical industry, in particular General Aniline and Film Company (GAF) and General Dyestuffs Corporation (GDC), both believed to be connected to I. G. Farben through an intricate network of holding companies in Switzerland. GAF, formerly the American I. G. Chemical Company, was the largest vested enterprise. In 1942 it held assets of \$68.7 million, making it the fifth largest chemical company in the United States. Its Ozalid and Agfa/Ansco divisions held a substantial position in the photographic film market, and it had a 50 percent interest, together with Sterling Products, Inc., in the Winthrop Chemical Company, a leading drug manufacturer. GDC, with assets of \$6 million, had exclusive distribution rights to GAF's dyestuffs and other products of I. G. Farben in the United States. In 1940 GDC had a 28 percent share of the American dye market, second only to Du Pont.⁶

These companies would be particularly valuable as instruments of Axis replacement in Latin America because they possessed manufacturing and distributing facilities that would duplicate almost exactly the products formerly supplied these markets by other I. G. Farben affiliates before the war. GAF held exclusive licenses to a number of Farben patents in dyes, other chemical products, and drugs. GDC had been restricted to the U.S. market by its parent firm before the war, but after 1940 it had taken over the Latin American dye markets formerly served by I. G. Farben distributors there, often using the same distributing agents and facilities. Winthrop Chemical had filled the same role in the former Farben drug markets. Another vested company, Schering Company of New Jersey, had likewise been supplying South American customers, particularly in Colombia, with pharmaceuticals formerly provided by

⁵Paul V. Myron, "The Work of the Alien Property Custodian," *Law and Contemporary Problems* 11 (1945-46): 80-83. The situation was a good deal more complicated than this brief statement implies. Following the First World War, the alien property custodian had auctioned off some of the German companies seized during that war to private bidders, and these properties, particularly the former Bayer plants, had been recovered by their former German owners in the 1920s. Crowley's decision to retain control of German-controlled manufacturing firms in 1942 was intended to prevent a repetition of that episode, at least for the duration of the war. Furthermore, the Trading with the Enemy Act had been amended in December 1941 to permit seizure of properties held on behalf of German nationals by third parties. This measure enabled the OAPC to overcome the problem of "cloaking" of ownership by the Germans, but raised a variety of thorny legal problems and led to lengthy litigation after the war as foreign claimants sought to reestablish their property rights to these seized enterprises. See Borkin, *I. G. Farben*, pp. 164-99; and Heinrich Kronstein, "The Nationality of International Enterprises," *Columbia Law Review* 52 (1952): 988-95.

⁶U.S. Office of the Alien Property Custodian, *Annual Report 1944* (Washington, DC, 1944), pp. 67-73; Stocking and Watkins, *Cartels in Action*, pp. 506-7.

its German parent, Schering A.G.⁷ The capabilities that these companies had offered German firms to evade the Allied blockade could now be deployed to eliminate Axis influence from Latin America altogether.

In June 1942 Monroe Karasik of the OAPC first broached the possibility of using the vested German firms for replacement purposes. He proposed that the U.S. branch of Schering could provide technical assistance to Latin American countries seeking to develop local drug manufacturing plants. Shortly after, Dewey Anderson of the Board of Economic Warfare (BEW), a cabinet-level coordinating organization, advocated using Schering's facilities to "wage a trade war" against Roussel, I. G. Farben's Argentine affiliate in the synthetic hormone field.⁸

Neither of these initiatives seems to have proceeded very far, however. What prompted the alien property custodian to establish a Latin American replacement program was the prospect of a private U.S. chemical firm, American Cyanamid, taking the leading role in the project. The "Cyanamid affair" generated much heat in Washington between December 1942 and July 1943 and inspired misleading public reports as rival factions in the government fought one another. It deserves attention not only as a prelude to the replacement program, but also for the light it sheds on the convoluted processes of foreign economic policymaking in Washington in this era.

The Cyanamid affair revolved around the chemical industry in Mexico. In the prewar period, Mexico had been closely tied to German companies for dyes essential to its developing textile industry, for synthetic nitrogen for fertilizer, and for pharmaceuticals. The development of local manufacturing in these fields would substantially augment the Mexican government's effort to reduce the role of foreign corporations in its economy. The president of Mexico, Manuel Ávila Camacho, sought to achieve that end while also reducing the hostility that had prevailed in Mexican-American relations under his predecessor, Lázaro Cárdenas. Ávila Camacho encouraged good relations by settling compensation claims of American oil companies for fields expropriated in 1938 and by supporting measures introduced at an inter-American conference at Rio de Janeiro in January 1942 to promote hemispheric defense against the Axis. Soon after that conference, Ávila Camacho followed the

⁷Heinrich Kronstein, "The Proclaimed List of Certain Blocked Nationals," 18 November 1941, Box 1096, RG 169, FEA Records. See also Corwin D. Edwards, "Economic and Political Aspects of International Cartels," U.S., Congress, Senate, Committee on Military Affairs, Subcommittee on War Mobilization, 78th Cong., 2d sess., *Monograph Number 1* (Washington, DC, 1944), pp. 66-67.

⁸H. J. Winter and J. Dreher, "Statement Concerning the Latin American Replacement Program," 6 August 1945, Box 931, RG 46, Records of the U.S. Senate Special Committee on National Defense (Truman Committee), National Archives, Washington, DC; Dewey Anderson, chief, American Hemispheric Division, Board of Economic Warfare, to William W. Welsh, et al., 21 May 1942, Box 1096, RG 169, FEA Records.

U.S. example by vesting thirty German and Italian firms in the summer of 1942.⁹

Mexico's finance minister, Eduardo Suárez, contacted Nelson A. Rockefeller, the U.S. State Department's coordinator for inter-American affairs, to request assistance in the reorganization and integration of vested Axis chemical properties in Mexico. Rockefeller referred Suárez to his aide, Joseph Rovensky, who in turn introduced him to Colonel Frederick Pope, a director on the board of American Cyanamid, an aggressive U.S. chemical firm that had expanded in the 1930s from the production of synthetic fertilizer into a wide range of industrial chemicals.¹⁰ Pope surveyed the existing chemical properties in Mexico and proposed to Suárez that the Mexican government contract with American Cyanamid to develop jointly the vested properties to produce dyes, synthetic ammonia, and soda ash which would promote its textile industry and its agriculture.¹¹

Ávila Camacho introduced Pope to V. R. Garfías, a Mexican businessman who had been appointed by Suárez to oversee the establishment of a national chemical industry. In September 1942, Garfías had visited Washington where he met representatives of the alien property custodian to discuss the possibilities of cooperation in establishing "a self-contained Mexican chemical industry." Crowley had promised to help by providing "loyal technical and research personnel" to replace those suspected of Axis sympathies and to train Mexicans to take over these positions. He apparently had not pursued the proposal further, however. After his return to Mexico, Garfías decided that Pope's counterproposal looked more promising. By December 1942 negotiations between Mexico and American Cyanamid were well advanced, and Pope approached Bernard Meltzer of the State Department's Economic Affairs Division to ascertain the American government's view of the venture.¹²

The undertaking outlined by Pope at this time would have established two companies: Mexico was to consolidate the vested chemical properties in a government corporation, Químicos Mexicanos, with private as well as public financing. A second company, Ingenieros S.A., would be set up by American Cyanamid and enter into a six-year contract with Químicos to manage its

⁹On Mexican-American relations under Ávila Camacho, see Daniel James, *Mexico and the Americans* (New York, 1963), pp. 350-56.

¹⁰H. P. Eastman to Eduardo Suárez, 6 February 1943, RG 59, 812.659.41, Decimal Files, Department of State, National Archives (hereafter cited as DSNA). On American Cyanamid, see Stocking and Watkins, *Cartels in Action*, pp. 385-86.

¹¹Memorandum of conversation, Seymour Rubin and Bernard Meltzer, State Department, Economic Affairs Division, with Colonel Frederick Pope, 20 April 1943, RG 59, 812.659/49, DSNA. Thomas Lockett, economic adviser, U.S. embassy, Mexico City, to Cordell Hull, secretary of state, memorandum of conversation with V. R. Garfías and Pope, 25 February 1943, RG 59, 812.659.37, DSNA.

¹²Memorandum of conversation, Meltzer, Pope, and E. V. O'Daniel, 15 December 1942; memorandum of conversation, Walter Surrey and Henry Ramsey, State Department, Economic Affairs Division, with Garfías, 30 January 1943, Box 1095, RG 169, FEA Records.

properties and receive a percentage of its earnings as compensation. Ingenieros would also train Mexican technicians and managers to run Químicos.¹³

Toward the end of February 1943, Thomas Lockett, the economic adviser to the U.S. ambassador to Mexico, reported that Ávila Camacho had approved the Cyanamid proposal and that Suárez was discussing the financing of the new company with Mexican bankers. At this point, however, opposition surfaced in Washington. On 4 March 1943, Creekmore Fath of the BEW condemned a proposal that would give Cyanamid "a complete import monopoly for Mexico on all chemicals, drugs, and dyestuffs," and argued that "such a deal would set the pattern for all Latin American industry. . . . This is postwar planning with a vengeance." Pope retorted that there was no exclusive import agreement between the Mexican government and Cyanamid. In any case, the American company made "only 10% of the articles previously supplied by the blocked companies," so Químicos could hardly purchase all its needs from Cyanamid.¹⁴ The State Department economists, Meltzer and Seymour Rubin, were not altogether convinced by this argument. Charges of monopoly continued to be a standard feature in the ensuing controversy, despite the specific provision in the final draft barring any restrictive purchasing arrangements by Químicos.

Shortly after Fath's protest, the alien property custodian reentered the picture. On 15 April 1943, James Markham, the assistant custodian, presented a detailed attack on the Cyanamid proposal to Secretary of State Cordell Hull. American Cyanamid, he argued, would not only acquire a monopoly in the Mexican chemical industry, but might also obtain a "preferred position . . . throughout Latin America," discouraging other firms from entering these markets and blocking the development of indigenous local manufacturing. As a final flourish, he warned that "Cyanamid . . . may later be forced, in a postwar division of world markets with European chemical interests, to trade its preferred position in Mexico for a better world position." This could provide I. G. Farben with an opportunity to reenter Mexico through a "squeeze play" after the Cyanamid venture had centralized the industry there.

Nine days later, Markham unveiled an alternative proposal which, he argued, would take advantage of the valuable marketing and technical facilities

¹³Memorandum of conversation, Rubin, Meltzer, and Pope, 20 April 1943; Lockett to Hull, 25 February 1943; George R. Martin, American Cyanamid, to Charles Bay, attaché, U.S. embassy, Mexico City, 1 April 1943, RG 59, 812.659.41, DSNA. The names of the proposed companies were subsequently changed to Químicos y Farmaceuticas S.A., and Technicos Químicos S.A., respectively, in the final draft. The compensation to American Cyanamid was the subject of much discussion. Pope initially described it as functioning on a sliding scale, with Cyanamid receiving 10 percent of the profits plus a fixed commission from Químicos up to 5 million pesos, then increasing to 15 percent and 18 percent of profits over 15 million pesos. Lockett later reported that Pope had provided a general figure of 30 percent of profits, and estimated the net earnings of Químicos to be about \$1 million per year.

¹⁴Creekmore Fath, Board of Economic Warfare, to Louis Bean, State Department, Economic Affairs Division, 4 March 1943, Box 1095, RG 169, FEA Records; memorandum of conversation, Rubin, Meltzer, and Pope, 20 April 1943, RG 59, 812.649/49, DSNA.

and personnel already controlled by the custodian. Under this plan, the Mexican government would establish a holding company to consolidate the vested chemical and drug firms, retaining 65 percent of the shares and allowing American companies to buy the remaining 35 percent. The custodian and a U.S. government "loaning agency" would then operate a "management corporation" over the consolidated industry for ten years, with the possibility of renewal at the end of that period.¹⁵

The battle was now joined. On 26 April, Hull sent a cable to the American embassy at Mexico City indicating the objections to the Cyanamid proposal. The ambassador, George Messersmith, was a veteran of the U.S. consular service who had devoted his career to encouraging American private investments abroad and defending them against nationalist regimes. Messersmith had also encountered BEW officials before. He disdained them as dangerous amateurs, "people with utterly inadequate knowledge of our problems and our practice," who also posed a threat to the State Department in foreign economic policy.¹⁶

Responding to Hull's cable on 12 May, Messersmith argued that any U.S. effort to block the Cyanamid negotiations would arouse Mexican resentment against foreign interference that might jeopardize improving relations between the two countries. Later, in a letter to Undersecretary of State Sumner Welles, Messersmith added that the Mexican government preferred dealing with a private firm to any arrangement in which the U.S. government was even indirectly involved. Furthermore, he pointed out, Mexico anticipated that the vested German firms in the United States would probably be returned to private ownership after the war. In this situation, "they want to deal with firms of their own choosing."¹⁷

Messersmith's earlier confrontations with the BEW led opponents of the Cyanamid deal to regard him as an unreconstructed spokesman for American big business. Fath asserted that the ambassador had deliberately prevented Crowley's representatives from meeting with Suárez in December 1942 even though the custodian's office acknowledged that they had no alternative plan to present at that time. Messersmith complained to Dean Acheson that his views had been misrepresented in the American press, but he added that "I am accustomed to being attacked by people in certain temporary agencies in Washington . . . because I have prevented them from carrying through their attempted schemes of exploitation which were far more dangerous and exaggerated than any one ever thought of attempting in the old days. . . ."¹⁸

¹⁵James Markham, deputy U.S. alien property custodian, to Hull, 24 April 1943, RG 59, 812.659/43, DSNA.

¹⁶George Messersmith, U.S. embassy, Mexico City, to Raymond Geist, 7 May 1942; Messersmith to Emilio Collado, State Department, Economic Affairs Division, 6 November 1942, Papers of George Messersmith, University of Delaware, Newark, Delaware.

¹⁷Messersmith to Dean Acheson, assistant secretary of state for Economic Affairs, 12 May 1943, RG 59, 812.659/50, and Messersmith to Sumner Welles, 28 June 1943, RG 59, 812.659/75, DSNA.

¹⁸Fath, "Notes on American Cyanamid," 2 June 1943, Box 1095, RG 169, FEA Records; Messersmith to Acheson, 22 July 1943, RG 59, 812.659/89, DSNA.

Messersmith was not alone in his suspicions of the critics of the Cyanamid deal. Members of Acheson's Economic Affairs Division at the State Department had little use for what they regarded as the BEW's ignorant meddling in foreign economic policy, and questioned the forethought that had gone into the custodian's replacement proposal. At a meeting with Francis Mahoney of the custodian's office on 4 May, Meltzer, Rubin, and Donald Hiss of the State Department criticized the Markham document in detail, pointing out that the provision for a 35 percent U.S. participation in a Mexican holding company would probably violate a Mexican law barring transfer of vested properties to anyone other than its own citizens. They also noted that the proposal for U.S. government funding would probably not interest the Mexicans whose major problem was "a surplus of funds and few investments in which to employ it." Under this attack, the custodian's representative retreated, acknowledging that the proposal was "no more than an offer to begin negotiations." Fath later complained that the State Department was pressing the custodian to provide in a few weeks an alternative to the Cyanamid proposal that had been months in the making.¹⁹

If the anti-Cyanamid forces could be tactically outmaneuvered, however, they could bring in the heaviest artillery by appealing to Roosevelt's skepticism about big business motives and his opposition to the postwar return of I. G. Farben and other German companies to the Western Hemisphere. At a meeting on 16 June with Acheson, Welles, Crowley, and Henry Wallace, the head of the BEW, Roosevelt criticized both the Cyanamid deal and the State Department for seeming to endorse it. On the basis of Messersmith's objections, Hull had urged Roosevelt not to block the Cyanamid negotiations since this might be interpreted by the Mexicans as "gringo interference," and possibly end effective Mexican action against Axis business activities. Bypassing this objection, Roosevelt proposed instead that the State Department endorse the custodian's replacement proposal without even mentioning the Cyanamid arrangement.²⁰

In the meantime, American Cyanamid had decided to pull out of the negotiations because of the political wrangling. Pope warned Meltzer and Rubin, however, that the decision would probably have bad repercussions on U.S.-Mexican relations and that little was likely to come of any discussions between the alien property custodian and the Mexican government.²¹ The aftermath of the affair seemed to bear out Pope's prediction. Morison Tucker

¹⁹Memorandum of conversation, Meltzer, Rubin, Donald Hiss, and Francis Mahoney, 4 May 1943, RG 59, 812.659/56, DSNA; Fath, "Notes on American Cyanamid"; Acheson reflected on the divisions between the State Department and the wartime agencies in *Present At the Creation: My Years in the State Department* (New York, 1969), pp. 68-79.

²⁰Hull, memorandum to the president, 10 June 1943, Official File, Miscellaneous Files, Franklin D. Roosevelt Papers, Franklin D. Roosevelt Presidential Library, Hyde Park, New York; John W. Pehle, memorandum on meeting, 17 June 1943, Box 2, Papers of Abijah U. Fox, Harry S. Truman Presidential Library, Independence, Missouri.

²¹Memorandum of conversation, Meltzer, Rubin, and Pope, 23 June 1943, RG 59, 812.659/72, DSNA.

of the custodian's office went to Mexico in August 1943, and apparently impressed even Messersmith with his flexibility by agreeing to jettison the initial proposal for an arrangement under which a joint U.S.-Mexican commission would "act in an advisory capacity" to a completely Mexican-owned consolidated company. Ávila Camacho seemed amenable to this arrangement initially and pushed through an act in March 1944 to set the operation in motion. But when the OAPC began to press the Mexicans to proceed more rapidly, they balked, and the entire replacement program quickly went into eclipse.²²

In the end, nobody seems to have benefited from the Cyanamid affair. Mexico did not get the assistance it sought on acceptable terms. The opponents of American Cyanamid successfully frustrated the deal, but the OAPC encountered suspicion and resentment that had been provoked by the U.S. government. The main result of the entire controversy was a decision by the custodian to undertake an active role in replacement.

All the parties engaged in this controversy in Washington indulged in unrestrained rhetoric, imputing to their rivals motives of self-interest and ignorance while wrapping themselves in patriotic garb. Their frequent references to ideological differences, however, obscured the fundamental positions on which they disagreed. The BEW, an inchoate umbrella organization, was associated with New Deal elements in the government hostile toward, or at least skeptical of, the role of private commercial firms in the making of foreign economic policy. But the BEW's ally in the Cyanamid affair was Alien Property Custodian Crowley, who was under attack from other New Deal spokesmen in the government for his connections with big business interests. And Messersmith, purportedly an unquestioning supporter of American business abroad, suspected the BEW of advancing the designs of other interests intent on the economic "exploitation" of Latin America. Underlying these charges and countercharges was the fact that the BEW and OAPC were new elements in the bureaucracy, and were considered poachers on the territories of established departments, meddling in areas where they had no background and no long-term responsibilities.

At one level, the Cyanamid dispute appeared to be a contest between advocates of investment by private enterprise abroad and spokesmen for a government role in the process, extending the confrontation between the New Dealers and the "old guard" on the domestic scene. But the divisions were not so clear-cut, as the Axis replacement program in Brazil was to reveal. The line between public and private interests at this point becomes uncertain, and the motives of the groups involved lose much of their clarity.

In the weeks following Markham's proposal of 24 April 1943, the OAPC began work on a full-scale replacement program. In the summer of 1943, when the Cyanamid controversy reached its peak, Tucker went to Brazil

²²Messersmith to Acheson, 13 August 1943, RG 59, 812.659/97, and Messersmith to Acheson, 20 August 1943, RG 59, 812.659/97½, DSNA; Winter and Dreher, "Statement Concerning Latin American Program."

to discuss American replacement of the Axis-controlled chemical properties there. As with the Ávila Camacho government in Mexico, the regime of Getúlio Vargas was interested in mending its relations with the United States after a period of tension over fascist activities in Brazil. Tucker's overtures, coming in the wake of a highly publicized American economic mission to Brazil under Morris Cooke, were received cordially. Following his visit in July 1943, the Vargas government authorized the vesting of Axis chemical and drug companies, in particular *Alliança Commercial de Anilinas*, which before the war had supplied 80 percent of the dyes for Brazil's textile industry.²³ Plans were prepared to consolidate *Alliança* with Agfa and Bayer properties and to establish a nationalized corporation.

Disagreements within the Vargas government over the best way to manage the vested properties delayed further action, however. In November 1943, Brazil announced that *Alliança* and the other sequestered firms would be sold. Crowley then asked that bids be postponed until his office could dispatch a commercial mission to Rio de Janeiro to work out an advisory agreement and assist the Brazilian government in choosing a qualified buyer who could develop the industries. On 25 January 1944, the mission, consisting of representatives of the OAPC and the two major vested companies, GAF and GDC, left New York for Brazil.

Before its departure, the mission met with Crowley and Markham who emphasized that any agreements made with the Brazilians should support the objectives of the replacement program, to eliminate Axis influences and promote domestic manufacturing. Once in Brazil, however, the representatives of the two vested firms, Neal Dow Becker of GAF and John Barrington of GDC, ignored these admonitions. They made it clear that they were not interested in supporting a manufacturing enterprise; they wanted only a sales and distribution agreement. Furthermore, although five groups of Brazilian businessmen were contemplating a bid for *Alliança*, Becker and Barrington expressed interest in only one, the Weber-Aranha group.

Becker maintained that there were sound commercial and political reasons for their preference: this group was the only one with experience in dyestuffs marketing. Moreover, Dr. Alfredo Aranha was a cousin of the Brazilian foreign minister, the influential Oswaldo Aranha. But the custodian's representative, Mahoney, objected to the other partner, Gabriel Weber. Weber, a Swiss citizen, owned a distributing house, Keller/Weber et Cie., which had handled I. G. Farben products in Brazil before the war, and had supplied *Alliança* with dyestuffs from GDC between 1939 and 1942. Even after the

²³Edward G. Miller, U.S. embassy, Rio de Janeiro, Brazil, memorandum on *Alliança* and Schering, 19 February 1943, Box 1108, RG 169, FEA Records; Mahoney, "Resumé of Current Brazilian Dyestuffs Negotiations," 25 March 1944, Box 930, RG 46, Truman Committee Records. On wartime relations between Brazil and the United States, see McCann, *Brazilian-American Alliance*, pp. 378–402.

German companies were vested, Weber had continued to act as GDC distributor in Brazil, precipitating a controversy between Crowley and GDC's management in August 1943. Weber was never actually accused of Axis sympathies. His extensive ties with the German companies made him unacceptable to the U.S. government, however, although the representatives of the vested firms saw no alternative.²⁴

This deadlock virtually ended the Brazilian replacement program before it began. Mahoney refused to accept the Weber-Aranha bid, and Becker and Barrington had discouraged all the others. When the Brazilian government actually posted bids for *Alliança* in March 1944, there were no takers. Although GAF and GDC, under pressure from the U.S. government, announced in June that they would work with any group considered satisfactory by Brazilian authorities, still no interested parties appeared. At the same time, Crowley stated that he would not interfere in a management decision by the executives he had appointed at GAF and GDC. Subsequently, Weber resumed his role as distributor of GDC products in Brazil, while the *Alliança* properties, now virtually worthless inventory, remained in government hands. No domestic Brazilian chemical industry emerged.²⁵

The Brazilian debacle was the subject of a contentious postmortem in Washington. Becker's favoritism toward Weber raised questions that ultimately discredited the whole replacement program. The version of events that emerged from this uproar cast a lurid glow over the whole course of government-business relations in the OAPC and provided ammunition for critics of Crowley throughout the government.

Before the establishment of the OAPC in 1942, responsibility for the seized German firms in the United States had been in the hands of the Foreign Funds Control unit in the Department of the Treasury under Secretary Henry Morgenthau, Jr. Morgenthau and his aides resented losing control of these operations to a new agency, particularly since custodian Crowley had already clashed with Treasury when he was head of the Federal Deposit Insurance Corporation. Morgenthau maintained that Crowley had a conflict of interest as head of the custodian's office. In private life, Crowley was president of Standard Gas and Electric Company, a business controlled by New York investor Victor Emanuel, who had substantial shares in Aviation Corporation, the holder of military contracts, and was also tied financially to J. Henry Schroder, a British company that was alleged to be linked to German banks. Morgenthau warned presidential aide James F. Byrnes that Crowley was

²⁴Mahoney, "Resumé of Current Brazilian Dyestuffs Negotiations"; Rubin to Collado, 3 March 1944, Box 930, RG 46, Truman Committee Records.

²⁵Fred T. Wagner, special assistant, U.S. embassy, Rio de Janeiro, to Mahoney, 11 March 1944, Box 930, RG 46, Truman Committee Records; Winter and Dreher, "Statement Concerning Latin American Program."

assigning directorships over the vested companies to Emanuel and his associates. The OAPC, he charged, was being run as a patronage operation for businessmen with dubious prewar connections with the Germans.²⁶

Crowley's background appears to have been more mundane than Morgenthau and other critics chose to believe. A Wisconsin businessman who dabbled in Democratic politics in the 1920s, he proved to be an effective fund raiser for Roosevelt and the party in the Great Lakes region in the 1932 and 1936 elections. During the banking crisis in 1933, he also demonstrated his abilities as a negotiator, which led to his appointment as chairman of the FDIC in 1934. Crowley's partisan loyalty and his connections with conservative Midwest bankers and businessmen persuaded the politically astute Byrnes to overrule Morgenthau's protests against his appointment as alien property custodian. While Crowley's connections with Emanuel were embarrassing, Roosevelt and Byrnes were so impressed by his administrative talents that in July 1943 he was chosen to take over the beleaguered BEW (renamed the Office of Economic Warfare and later merged into the Foreign Economic Administration) to clean up the mess in that organization left by the bitter dispute between Henry Wallace and Jesse Jones. In his major task as head of the FEA, the administration of lend-lease, Crowley carried out his duties with customary efficiency.²⁷

Given Crowley's administrative capabilities and record of partisan loyalty, he was relatively invulnerable to his critics within the bureaucracy. But the divisions within the OAPC and the inept actions taken by some of Crowley's appointees there provided an opening for Morgenthau and other critics of his conservative brand of Democratic politics and the bureaucratic imperialism of his organization.

In July 1943 Robert McConnell, appointed by Morgenthau to manage GAF before the OAPC took over the vested firms, resigned in protest over the custodian's Latin American program, asserting that "I cannot conceive that such a venture would have the remotest chance of success." He added pointedly that in preference to these joint undertakings, he was "a firm believer in the principle of private industry honestly conducted."²⁸ The controversy over Keller/Weber's continued handling of GDC's business in this same period brought the internal troubles of the custodian's office to the attention of an already suspicious State Department. By the time the Brazilian negotiations

²⁶John M. Blum, ed., *From the Morgenthau Diaries: Years of War* (Boston, 1967), pp. 4-9. In 1945 when the Truman Committee investigated the OAPC, Victor Emanuel was a director of both GAF and GDC, as were his associates George Burpee, who became president of GAF in 1943, and Matthew Hickey, who was vice-president of GDC. Box 930, RG 46, Truman Committee Records.

²⁷On Crowley's career, see Stuart Weiss, "Leo T. Crowley: Pragmatic New Dealer," *Mid America* 64 (January 1982): 33-52. Morgenthau's suspicions of Crowley are resurrected in Charles Higham, *Trading With the Enemy: An Expose of the Nazi-American Money Plot, 1933-49* (New York, 1983), pp. 137-40.

²⁸Robert McConnell to Morgenthau, 13 July 1943, Henry Morgenthau, Jr., *Diaries*, vol. 648, pp. 152-53, Franklin D. Roosevelt Presidential Library (hereafter cited as Morgenthau *Diaries*).

broke down the following spring, there were many parties interested in probing for skeletons in Crowley's closet.

Attention focused on Ernest K. Halbach, a director of GDC before it was vested. Although Halbach lost his directorship when the OAPC took over the company, he was retained as a "technical adviser" by Louis Johnson, whom Crowley put in charge of GDC. Because of Johnson's "regrettable unfamiliarity . . . with the dyestuffs business," Halbach shortly became the "indispensable man" at GDC, even though he was simultaneously suing the government for seizing his shares in the company and blocking his bank accounts. In August 1943, Halbach arranged for the return of Weber as GDC's Brazilian distributor. He was also believed to have recruited Edgar Gisiger, a former employee of the Swiss I. G. Chemie Co., allegedly a cloaking company for I. G. Farben, to handle GDC products in Mexico. This appointment coincided with the custodian's proposal that the vested firms work with the Mexican government to develop a local dye industry.²⁹

In the context of the ties between Crowley and Emanuel and also Halbach's peculiar status, the collapse of the replacement program could appear in a sinister light. Various specialists on I. G. Farben and critics of the custodian in the U.S. government argued that the German companies intended to return to Latin America after the war and resume their predominance, presumably as they had done in the 1920s. To accomplish this, it was essential that rival American firms be kept out of these markets as much as possible. The custodian had opposed Cyanamid in 1943 because it might have permanently displaced Sterling Products and Winthrop Chemical in the Mexican pharmaceuticals market, and both of these companies had been tied to I. G. Farben before the war. Similarly, in Brazil, Becker's orders from Halbach, according to Mahoney, were to ensure that no local competitor emerged to challenge the position of GDC for the duration of the war. In this fashion, the vested companies continued to act on behalf of their former German parent companies despite the appearance of U.S. government control.³⁰

In retrospect, these suspicions seem exaggerated. Although German chemical companies did regain a foothold in Latin America after the war, American competitors enjoyed an unprecedented expansion throughout the hemisphere. I. G. Farben was dissolved by the occupation government in Germany while GAF and GDC remained under control of the OAPC until 1962.³¹ During the war, however, the charges had serious overtones and

²⁹Joseph L. Packard, "A Report on the Latin American Dyestuff Replacement Program of the Alien Property Custodian," 1945, Box 931, RG 46, Truman Committee Records. See also I. F. Stone, "Fumbling With I. G. Farben," *The Nation* 160 (6 January 1945): 7-8.

³⁰Packard, "Report on Dyestuff Replacement"; Mahoney to Markham, "Reasons for Abandonment of the Replacement Program," 3 October 1944, Box 930, RG 46, Truman Committee Records; I. F. Stone, "The Men Behind the Drug Deals in Latin America," *PM*, 2 January 1945; I. F. Stone, "The Cyanamid Affair Aftermath," *PM*, 3 January 1945.

³¹See Borkin, *I. G. Farben*, pp. 157-63, 201-22, on the postwar fate of I. G. Farben and GAF.

produced a general shake-up of the custodian's office. The accusations never resulted in any legal action, however.

More significant from the perspective of the historian is the divergence between the government and business groups the episode revealed, a gulf that no amount of rhetoric about shared aims and values could bridge. The businessmen put in charge of the vested companies continued to examine situations in terms of corporate earnings and protection of investments, even though technically they were working for the U.S. government and might be required to serve policy aims that could be both commercially indefensible and politically desirable. As trustees over property whose future status was unsettled, they could not be expected to participate readily in activities that would obviously diminish the value of the enterprises. Even McConnell, who shared Morgenthau's distaste for Axis business influences, regarded his role at GAF as that of an agent in trust and took pride in the efficient and profitable organization over which he had presided.³² The businessmen involved in the replacement program seem to have been far less willing to undertake novel and ambitious commercial expansion projects than were their political counterparts, who wanted to use these firms to advance broad American foreign policy objectives in Latin America.

The managers of the vested companies were unlikely to dismantle their marketing structures to oust possible Axis sympathizers in Latin America. As a Justice Department lawyer noted at the time, "it is questionable whether the influence exercised by I. G. Farben personnel at lower executive and technical levels over twenty years . . . could be destroyed in a brief time without wrecking the company."³³ By the same token, one feature that emerges clearly from an investigation of the Axis replacement program is the reluctance of the GAF and GDC managers to make a serious commitment to encourage local manufacturing. They were perfectly happy to have various governments arrange to buy their products but balked at further measures.

The development of replacement negotiations in Colombia reinforces this point. A group of local businessmen who had held directorships on Inquico, the local I. G. Farben affiliate, proposed to establish a new company with 100 percent Colombian ownership to produce dyestuffs locally with aid from GAF and GDC. The GDC representative, Barrington, rejected this proposal, not because of the local businessmen's previous ties with the Germans, but on the grounds that the plant they hoped to reopen "was producing unrelated goods and therefore could be of no use to General Aniline and General Dyestuffs." Instead, he dealt with a separate group that only wanted

³²McConnell to Morgenthau, 13 July 1943, Morgenthau Diaries, vol. 648, pp. 152-53.

³³Herbert C. Berman to Assistant Attorney General Tom Clark, 28 June 1943, Box 11, RG 122, Papers of Roy Prewitt, Records of the Federal Trade Commission, National Archives (hereafter cited as Prewitt Papers).

to distribute dyes produced in the United States and marketed under the old German trademark.³⁴

The skepticism of GAF and GDC managers about the commercial benefits of contributing to local chemical manufacturing development in Latin America was shared by other U.S. businessmen. In Brazil, for example, the only serious rival of *Alliança Commercial de Anilinas* before the war had been *Duperial Brazil*, a joint subsidiary of Du Pont and a British company, *Imperial Chemical Industries Ltd.* The sequestration of *Alliança* and the collapse of the custodian's negotiations could have opened the way in Brazil for Du Pont's expansion, as was suggested by several critics of Crowley's scheme in Washington at the time. In 1942, the Du Pont Foreign Relations Department seriously considered manufacturing in Brazil but rejected the idea because of the prospect of increased taxes, the continuing inflationary measures of the Brazilian government, and the harsh treatment that other foreign investors had experienced in the past.³⁵ Even Pope of American Cyanamid admitted to State Department advisers that his company anticipated only limited development of local chemical manufacturing under the program proposed to the Mexicans in 1942. In pharmaceuticals, for example, he noted, "It will be impossible for Mexican manufacturing facilities to produce very much in the way of complicated or synthetic products. The most that might be hoped for was the establishment of . . . facilities for the final and relatively simple tableting operations." Cyanamid intended to focus on the development of a distributing network while supplying the finishing plants.³⁶

Whatever the source of GAF's and GDC's reluctance to encourage local manufacturing in chemicals, the breakdown of the Brazilian negotiations and the unsatisfactory outcome of the Colombian arrangements undermined a replacement program that had been regarded skeptically in many quarters from its inception. At a meeting with Rubin and Emilio Collado of the State Department's Economic Affairs Division in May 1944, Markham, the new acting custodian, reiterated Crowley's old argument that he could not interfere directly with the management of the vested companies. In the end no action was taken in any direction, and by the summer of 1944, when the bidding

³⁴Winter and Dreher, "Statement Concerning the Latin American Replacement Program"; Mahoney to Markham, "Report on the Replacement Program: Colombia," 20 September 1944, Box 931, RG 46, Truman Committee Records.

³⁵Walter S. Carpenter, Jr., E. I. du Pont de Nemours and Co., Inc., "Remarks Regarding Proposed Investment in the Heavy Chemicals Industry in Brazil," 9 November 1942; Wendell Swint, Foreign Relations Committee, to Carpenter, "Du Pont Policy on South American Investment," 24 November 1942, Boxes 832, 839, Papers of Walter S. Carpenter, Jr., Records of E. I. du Pont de Nemours and Co., Inc., series II, part 2, Eleutherian Mills Historical Library, Greenville, Delaware (hereafter cited as Carpenter Papers). It is interesting to note that in their discussions of the alien property custodian's replacement program, the Du Pont executives tended to regard GAF and GDC as commercial rivals rather than instruments of government policy. Swint to Carpenter, 28 April 1944, Box 832, Carpenter Papers.

³⁶Memorandum of conversation, Rubin, Meltzer, Hiss, and Pope, 4 May 1943, RG 59, 812.659/56, DSNA.

for *Alliança* in Brazil lapsed and the Mexican government failed to respond to U.S. pressures, the whole program dissolved. By that time, however, the FEA and the State Department were contemplating measures to block the movement of German business assets out of Europe after the war and to dismantle I. G. Farben. The rationale for replacement as an economic warfare operation lost its persuasiveness.³⁷

The Axis replacement program in chemicals was a hastily designed, poorly organized, and ultimately disastrous undertaking. It would have had scant chance of success even if there had been greater coordination between government officials and commercial groups. The advocates of the program had quickly managed to arouse nationalist resentment in the countries purportedly benefiting from this aid and then antagonized the State Department and other groups in Washington whose cooperation was essential. The combination of heavy-handedness on the part of the BEW and the custodian's officials and the blatantly self-interested attitudes of the business elements condemned the program from the outset.

Yet at the same time, the ideas underlying the Axis replacement program reflected concerns that were widely shared throughout the Roosevelt administration about postwar prospects for direct American investment and trade abroad. During the war the United States sent a number of missions overseas, principally to Latin America, and entered into agreements with several countries, including Mexico and Brazil, to promote economic development and reduce their dependence on foreign industrial imports.³⁸ Direct American government involvement in programs of this nature had serious drawbacks, however. Government agencies lacked the technical and managerial skills essential for the success of new manufacturing enterprises. Furthermore, as the Cyanamid affair demonstrated, nationalist antagonism could be aroused against American government agencies operating too overtly in these countries.

Alternatively, economic development could be promoted through private direct investment, and American postwar planners anticipated a general business expansion, particularly in Latin America. From 1943 to 1945, the Executive Committee on Economic Foreign Policy, an interdepartmental group chaired by the State Department, considered the implications of postwar private American investment abroad. While generally favorable, the committee's report also predicted problems. American companies acting on their own initiative would not necessarily make investments that would also promote domestic manufacturing capacity in foreign countries. Washington could induce them to make such investments, but as the Brazilian fiasco with GAF indicated, government blandishments were not likely to overcome business reluctance to undertake serious investment and development where the long-term commercial potential seemed slight. Privately owned branch plants and

³⁷Mahoney to Markham, 3 October 1944, Box 930, RG 46, Truman Committee Records.

³⁸J. L. Mecham, *The United States and Inter-American Security, 1889-1960* (Austin, 1962), pp. 237-40.

subsidiaries would also be subject to charges of exploitation, as the cases of oil expropriation in Mexico and Bolivia before the war had demonstrated. The committee anticipated a growing demand for investment in underdeveloped countries, but it also expected increased sensitivity in these countries to the potential power held by foreign—especially American—corporations.

In its recommendations on postwar U.S. foreign economic policy, the committee urged the promotion of joint ventures in which American companies would provide technical aid and perhaps capital, while majority control of these ventures would remain with the host government. These recommendations resemble closely the proposals for joint development of the chemical industry in Mexico initially made by American Cyanamid and later in modified form by the alien property custodian.³⁹

Unhappily, the experience of American Cyanamid in the political cauldron of wartime Washington and the bungled replacement program of the OAPC that followed ensured that proposals of this type would arouse little enthusiasm among businessmen or government officials. After the war, a number of American firms did enter joint ventures as minority shareholders, particularly in consumer goods in Mexico and Brazil. Generally, however, their partners were local businessmen rather than host governments, and there was little incentive to invest in technologically innovative fields.⁴⁰ Official advocacy of joint ventures never became a central focus of American foreign economic policy. The U.S. government never again attempted to undertake a direct role in coordinating joint ventures abroad.

During the 1950s, official American interest in the expansion of direct investment abroad revived, partly from the expectation that such dealings would stimulate American exports and partly from the notion that U.S. prestige and influence would be expanded. The U.S. government's attitudes had changed dramatically, however, and no pressure was exerted on companies too committed to direct investment in Latin America to take the joint venture route.⁴¹ In this fashion, an American initiative to promote industrial development while avoiding charges of economic imperialism disappeared from memory, reemerging later in the wake of sometimes bitter controversies over

³⁹State Department, Division of Financial and Monetary Affairs, "Considerations Affecting Private Direct Investments in Foreign Countries," 26 August 1944, International Trade Files, RG 43, National Archives; Collado and Walter Loucheim, Jr., "The Relation of Private Foreign Investment to U.S. Government Postwar Foreign Economic Policy," n.d. (c. 1944), RG 122, Prewitt Papers; Executive Committee on Economic Foreign Policy, "U.S. Policy Toward Joint Participation of American and Local Capital in Foreign Investments," 30 November 1945, RG 43, International Trade Files.

⁴⁰Mira Wilkins, *The Maturing of Multinational Enterprise: American Business Abroad, 1914-1970* (Cambridge, MA, 1974), pp. 311-12.

⁴¹See, for example, the recommendations of the Randall Commission in 1955, File 116-M, Official Files, Dwight D. Eisenhower Presidential Papers, Dwight D. Eisenhower Presidential Library, Abilene, Kansas.

the expropriation and nationalization of foreign properties in Latin America.⁴² It may well have been that the joint venture idea was unlikely to find much acceptance in the American government and business community in 1945. The point should nevertheless be made that the issues and problems raised by direct U.S. investment abroad were fully considered at the time and the Axis replacement program, for better or worse, contributed to government recommendations and decisions for the postwar era.

⁴²Mexico pursued a policy of joint ventures with foreign investors after World War II. In the petrochemical field, however, development was carried out primarily by the state-owned oil company, Pemex, with foreign companies allowed minority participation in secondary petrochemical production after 1958. In Brazil and Colombia, the petrochemical industry was also developed in the 1960s and 1970s through joint ventures involving foreign companies, with nationalized oil companies holding controlling interest in these undertakings. See Miguel S. Wionczek, "Mexican Nationalism, Foreign Private Investment and Problems of Technology Transfer," in Peter Ady, ed., *Private Foreign Investment and the Developing World* (New York, 1971), pp. 191–206; George Philip, *Oil and Politics in Latin America: Nationalist Movements and State Companies* (Cambridge, 1982), pp. 342–45; and Peter Evans, *Dependent Development: The Alliance of Multinational, State and Local Capital in Brazil* (New York, 1973).